

## Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 PM-04 NSC-05 SP-02 SS-15 CIAE-00  
INR-07 NSAE-00 DODE-00 DHA-02 EB-07 /064 W  
-----310847Z 040758 /21

R 310435Z DEC 76  
FM AMEMBASSY VIENTIANE  
TO SECSTATE WASHDC 7509  
INFO AMEMBASSY BANGKOK  
AMEMBASSY PARIS  
AMCONSUL HONG KONG  
AMCONSUL UDORN  
CINCPAC

C O N F I D E N T I A L VIENTIANE 2992

CINCPAC FOR POLAD

E.O. 11652: GDS  
TAGS: ECON EIND ETRD PINS LA  
SUBJ: LPDR ARREST CLOTH EXPORTER AND CONFISCATE BUSINESS

1. LAO EMPLOYEE OF THE LARGEST CLOTH AND HANDICRAFT  
EXPORTING FACTORY IN LAOS, VANIDA'S HOUSE OF DOLLS,  
TOLD EMBOFF THAT THE GOVERNMENT ARRESTED OWNER VANIDA  
SOUNTHORN ON DECEMBER 29. WHILE VANIDA WAS PROMOTING  
HER PRODUCTS AT TRADE SHOWS IN EUROPE IN EARLY DECEMBER,  
THE GOVERNMENT SEIZED HER FACTORY AND ARRESTED HER  
BROTHER WHO HAD BEEN MANAGING THE BUSINESS. THREE  
DAYS AFTER RETURNING TO LAOS, VANIDA WAS ALSO ARRESTED  
AND INCARCERATED IN SAMKHE PRISON ON THE CHARGE OF BEING  
A SPY AND BRINGING IN MONEY FROM WESTERN COUNTRIES  
FOR THE "REACTIONAIRES".

2. PRIOR TO DECEMBER, VANIDA'S HOUSE OF DOLLS HAD  
ENJOYED THE UNIQUE STATUS OF BEING THE ONLY PRIVATELY  
OWNED BUSINESS PERMITTED BY THE GOVERNMENT TO SELL  
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PRODUCTS FOR DOLLARS. ACCORDING TO AN UNDP/UNIDO  
STUDY, VANIDA'S HOUSE OF DOLLS AVERAGE \$1,500 IN  
MONTHLY SALES, PRIMARILY TO FOREIGNERS WITHIN VIENTIANE.  
THE STUDY CONCLUDED THAT WITH INCREASED OVERSEAS  
MARKETING AND EXPORT PROMOTION, THE ENTERPRISE COULD  
EASILY ACHIEVE A YEARLY INFLOW OF \$200,000 FOREIGN

EXCHANGE TO THE LPDR. WITH THE ENCOURAGEMENT OF HER GOVERNMENT, VANIDA SOUGHT EXPORT CONTRACTS WITH SWEDEN, JAPAN, GREAT BRITAIN AND OTHER FOREIGN COUNTRIES.

3. ABOUT 350 WORKERS WERE EMPLOYED FULL TIME ON THE FACTORY PREMISES AND ANOTHER 1,000 FAMILIES DID PIECE WORK IN THEIR HOMES. VANIDA PAID WORKERS ABOVE AVERAGE KIP SALARIES SUPPLEMENTED BY IN-KIND FOOD PAYMENTS. LAO EMPLOYEES WITH WHOM EMBOFF SPOKE ONLY HOURS AFTER VANIDA'S ARREST SEEMED QUITE WORRIED THAT THE GOVERNMENT WOULD NOT BE ABLE TO MANAGE THE BUSINESS EFFICIENTLY ENOUGH TO MAINTAIN THE WAGE SCHEDULES ESTABLISHED BY VANIDA. VANIDA'S YOUNGER SISTER TOLD EMBOFF THAT SHE BELIEVED PROCURING QUALITY RAW MATERIALS FROM ABROAD SUCH AS DYES AND SILK THREAD, AND KNOWING HOW TO MARKET FINISHED PRODUCTS WOULD BE BEYOND THE CAPABILITY OF THE NEW GOVERNMENT MANAGERS.

4. WHEN EMBOFFS VISITED THE FACTORY AND SALES ROOM DECEMBER 29 GOVERNMENT OFFICIALS WERE TAKING INVENTORY AND MANAGING SALES. ALL SALES CONTINUE TO BE COLLECTED IN DOLLARS.

5. COMMENT: DESPITE THE GREAT NEED FOR FOREIGN EXCHANGE, THE LPDR SEEMS TO BE INCREASINGLY INTOLERANT OF PRIVATE ENTERPRISE.

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